



Ein cyf/Our ref: RE-00581-22

Steve Jones

19 July 2022

Dear Steve,

Thank you for your letter regarding a Notice of Motion approved at a full Council meeting of Merthyr Tydfil County Borough Council in March.

The Welsh Government is committed in its [Programme for Government 2021 to 2026](#) and [The Co-operation Agreement: 2021](#) to a fairer and more progressive council tax. This important commitment will contribute to a fairer Wales, and is based on [detailed explorative work](#), a summary of which was published in February 2021. Council tax provides a significant annual revenue stream of £2bn which helps to fund some of our most essential local public services – educating our children, caring for our loved ones, keeping communities safe, and recycling our waste, to name a few. While it has many advantages as an efficient local tax, we believe the system could be more progressive in its design and that it could be modernised, having existed in its current form since 1993.

I want to ensure the contributions made by the people of Wales are applied as fairly as possible, and better aligned to household wealth and economic circumstances. On 7 December, I [outlined](#) an ambitious package of reforms as the starting point to creating a fairer system, focussing on what is achievable in this Senedd term. A Phase 1 consultation was [launched](#) on 12 July and will run until 4 October 2022. As part of my approach to engagement, I met Leaders and Finance Cabinet Members on 29 June to provide an update on the progress of this important work prior to the consultation launch.

The consultation seeks broad views on a revaluation of the tax-base in Wales, which is currently based on property values from 2003, now almost twenty years out of date. The consultation also seeks views on improving our national Council Tax Reduction Scheme which supports low-income households and reviewing the various arrangements for discounts and exemptions to ensure they remain aligned to our priorities.

The reforms we are seeking views on are significant undertakings which will involve considerable preparatory work. However, as we face continued economic instability, rising inequality and a climate change emergency, we need to ensure the arrangements for council tax are resilient and protect funding for our public services whilst striving for a fairer Wales.

I note the proposal within the Notice of Motion is based on the research commissioned by the Welsh Government from the Institute for Fiscal Studies. The motion supports the IFS option of a continuous and proportional system, removing the bands and applying a fixed tax rate as a percentage of property value. I agree reform of this nature would help to make council tax less regressive in the context of property value. Nevertheless, reforming the bands can also achieve positive effects and is achievable in the shorter term.

A proportional rate council tax, or 'point value' system would be a fundamental change in approach, requiring substantial new legislation, an amended valuation function and the creation of a larger more detailed appeals framework. It would also require us to consider whether rates should be set centrally or locally within such a system, and this is something which I am not considering within the scope of the Phase 1 consultation.

The Summary of Findings concluded that moving towards such a system is not achievable within the current Senedd term and would probably require work over two Senedd terms. Given the length of time since the last revaluation, it is also preferable to conduct an initial revaluation to reconfigure bands and tax rates prior to moving to any point value system. The IFS report also proposes options which reach a less regressive band structure, including adding bands, which could come close to the effects of a proportional system without removing the bands altogether.

However, I would like to reassure you that moving towards a point value system in the future has not been ruled out and I have been clear that any decisions taken now should leave open options for more substantial reform for the future.

Our comprehensive system of council tax support does much to balance out where bands may be less progressive. We will ensure those elements of the system continue to target support to people who need it most.

Finally, I will continue working with you through the Partnership Council for Wales and its subgroups on the proposals as they develop. I would encourage everyone who wishes to provide views to do so by responding to the [consultation here](#) before the closing date of 4 October 2022.

Yours sincerely,

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government